Overall Comments

Economics of Sea Transport & International Trade results continue to improve and it is very pleasing to note, this year, that the vast majority of candidates exhibited an awareness of the events and happenings in the international trading and shipping world and used this contemporary knowledge to back their theory and practice. This development is a clear testimony of the fact that candidates take time to read examiner’s comments and take the advice given on board. Equally heartening was the use of diagrams to support arguments even in cases where they were not asked for.

Question One

A popular question. This question required candidates to identify the reasons for the low profits registered by Liner companies ie; short term profit maximization, contestable market theory, empty core thesis, competitive pressures, price discrimination and then to proceed to the identification of the elements that typify the service ie; regular service, frequency of sailing, speed of transit, published rates, the worldwide service provision, extensive port facilities-Hub and spoke, containerisation and its immense benefits and the ‘just in time’ model.

Question Two

Question required a definition of the concept with appropriate shipping examples and application; shipbuilding construction; economies of scale; including the ability to purchase large quantities of steel, series design and build of ships. In the Liner Industry; large numbers of ships provides more opportunities for long run costs through management savings at head office, optimising the number of crew on books results in more efficient use of crew, purchase of bunkers, other inputs and services.

Question Three

Very popular question and very well answered. Candidates were required to identify the main factors that influence demand for shipping: level of economic Activity particularly that of OCED countries, the volume of seaborne trade and it’s major components, distance over which cargo is moved and the freight rates and other external factors, political upheavals, seasonal trends and changes in weather patterns. The second part of the question was to do with the definition of ‘derived demand’ and an explanation of the Marshal Rules that relate to derived demand elasticity. Some candidates missed this part and therefore, lost marks!
**Question Four**

A three part question that required candidates to discuss the implications of the weakening of the dollar, its effect on the shipping industry and efforts aimed at mitigating the effects. Implications – mention of the centrality of the dollar in world trade and shipping, cost of inputs and impact on global economic activity and earning potential of brokers, shipowners and allied industries. Mitigation efforts including; hedging and an active participation by all operators in currency futures and derivative market, for example - Chinese shipyards quoting in US dollars and Euros.

**Question Five**

Surprisingly not a very popular question. A definition of the term was essential as well as an explanation of their role and purpose in international trade and revenue generation particularly for developing nations. Candidates were required to illustrate their answer with a graph/s. Credit given for a sound review of the effects of a tariff on consumers and producers as well as the overall economy.

**Question Six**

Candidates were required to discuss why Dry Bulk Trades might be a driving force for port construction and development. The main factors behind this development being; increased demand for bulk commodities by China and India and other emerging economies; iron ore, coal, grain. The demand for commodities and the development of requisite infrastructure being an attractive investment opportunity for shipping companies and cargo interests. Credit given for reference to specific ports and their construction and development.

**Question Seven**

This question required students to explain the reason for the collapse of the crude oil prices such as: derived demand, the decline of industrial output in China and India, decline in demand fell resulting in increase of global inventories and hence fall in price which led to a growth worldwide of inventories hence the fall, the financial crisis originating in the USA and eventually engulfing the rest of the world and the resultant recession, Slide in the value of the dollar. The implications for the decline would include economic slowdown in consumer spending and the of course the decline in shipping.

**Question Eight**

This question was about the identification of the key factors that influence ship owners in their choice of ship types including: trades involved, port limitations and facilities, draft restrictions, cargo interest’s specific requirements for example frequency of supplies, value of inventory, distance and quantities involved, nature of commodity as in the oil trades ‘crude and clean products and not so much about the cost of vessel types.'